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AREA MINES LIMITED

ANNUAL REPORT

1966

AREA MINES LIMITED

(No Personal Liability)

ANNUAL REPORT

As at December 31, 1966

AREA MINES LIMITED

(No Personal Liability)

DIRECTORS

SIR MICHAEL BUTLER, BT., Q.C., Toronto, Ontario
Partner, Edison, Aird & Berlis

J. M. R. CORBET, Toronto, Ontario
Director, Eastern & Chartered Trust Co.,
Mattagami Lake Mines Limited

J. H. WESTELL, Islington, Ontario
Vice-president, Keevil Mining Group Limited

N. B. KEEVIL, M.Sc., Ph.D., Port Credit, Ontario
President, Teck Corporation Limited

N. B. KEEVIL JR., M.Sc., Ph.D., P.ENG.,
Toronto, Ontario
President, Geophysical Engineering
& Surveys Limited

J. R. MOONEY, Toronto, Ontario
President, J. R. Mooney & Co. Limited

OFFICERS

NORMAN B. KEEVIL *President*

NORMAN B. KEEVIL JR. *Vice-President*

SIR MICHAEL BUTLER, BT., Q.C. *Secretary*

JAMES H. WESTELL *Treasurer*

REGISTRAR & TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY
Toronto and Montreal

AUDITORS

J. CLARE WILCOX & Co.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1000
11 Adelaide Street West
Toronto, Ontario

ANNUAL MEETING

Friday, March 31, 1967
11:00 A.M. — Eastern Standard Time
The Meeting Room
Montreal Aeroport Hilton Hotel
Dorval, Quebec

AREA MINES LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The most significant development for your company during 1966 was the discovery of a large copper orebody at Mt. Ste. Anne in the Gaspé area of Quebec. This was the result of exploratory work and claim acquisition carried out jointly by Frobex Limited and Area, after which the properties were transferred to Wexford Mines Limited.

Wexford is now under the joint direction and financing of Area and Frobex, with each company being represented by three directors on the Wexford board and a seventh representing the original property vendors. As at December 31, 1966 Area held 1,071,875 shares of Wexford Mines Limited. Current work is being financed through an option agreement with the two parent companies, and when this has been completed Area will hold approximately 1,500,000 out of the three and one-half million shares issued of Wexford.

From results to date it is evident that a major copper orebody is developing at Wexford and that your company's share position will prove to be a most valuable asset. Results of drilling and pertinent maps are included in the report on exploration.

The major application of the company's funds during the year was to participate in Wexford, being \$174,290 included in the financial statements under investments. Other exploration was reduced to half that of the previous year, with \$55,621 being spent. As a member of the Keevil Mining Group, Area Mines now benefits by sharing in the Group's administrative facilities and services, and administrative expenditures were reduced to \$20,336. A strong working capital position has been maintained, amounting to \$809,314 at the year-end.

During 1967, the major effort and expenditures of the company will be directed to the operations of Wexford Mines Limited and the maintenance of its investment position in this promising enterprise. Funds will be obtained through bank loans or sale of marketable investments, as expedient.

In order to conserve funds for this purpose, your directors have proposed a temporary reduction in other exploration expenditures. To enable exploration to continue on certain properties now held, an arrangement has been negotiated with Keevil Mining Group Limited to include the Patapedia and Isabelle Brook properties in its 1967 exploration programme at no direct cost to your company.

Under the terms of these agreements, which shareholders are being asked to approve in conjunction with the annual meeting, Keevil Mining Group Limited is granted the right to conduct exploration and development operations on these two properties. In either case, after twice the amount of Area's expenditures to date on the property has been spent Keevil Mining Group Limited will be entitled to receive a $\frac{2}{3}$ interest in the claim group; if the full amount is not expended within two years it will receive only a proportionate interest. Further expenditures thereafter would be made on the basis of each party's interest in the respective properties with a provision for a reduction in interest if either party elects not to participate, except that the interest of your company cannot be reduced below a non-assessable 10% in either property. In these agreements, Keevil Mining Group Limited is acting in part for Teck Corporation Limited and Copperfields Mining Corporation Limited.

I would like to take this opportunity to express our appreciation to Mr. J. M. R. Corbet for his role in the discovery of Wexford, and for his continuing advice in the direction of our company.

On behalf of the Board,



N. B. KEEVIL, President

March 1, 1967

REPORT ON EXPLORATION

February 27, 1967

WEXFORD

The Wexford property was acquired jointly by Area Mines Limited and Frobex Limited in December 1965 from a prospecting syndicate which had staked the claims. In accordance with the terms of the acquisition agreement, the claims were transferred to Wexford Mines Limited, and 300,000 shares were issued to the syndicate.

Prior to this, another company had controlled the claims under an option agreement and drilled 10 holes; the best of these, hole #4, intersected 150 feet of 1.2% Cu. After six more holes were drilled, the option was allowed to lapse and the claims were returned to the vendor, with whom Area and Frobex then consummated an agreement.

The earlier geophysical work had not included induced polarization, and consequently such a survey was undertaken. The results provided an indication of the trend of mineralization and were of considerable assistance in laying out the initial drill programme. The first Area-Frobex hole (#11) intersected 128 feet of 1.02% Cu, and subsequent drilling confirmed the presence of a continuous orebody of low grade copper.

The ore consists of chalcopyrite and bornite mineralization in an altered sedimentary rock logged as mauve hornfels. This hornfels and the contained orebody dip at 63° to the southeast, conformable with other sedimentary strata above and below. The zone dips towards the Tabletop granite batholith and is expected to intersect it at depth. The longitudinal section shows all intersections plotted on an inclined plane down the axis of the orebody. The cross section illustrates the stratigraphy above and below the orebody and the presence of lower grade mineralization in a parallel mauve hornfels band at depth. This latter zone has not yet been explored in detail.

The location of all holes drilled in the vicinity of the orebody is shown on the accompanying map; several other holes have been drilled south and one to the west of the map area, but none have discovered significant amounts of copper. Intersections in key holes are summarized below.

Hole	From	To	Length	% Cu	Hole	From	To	Length	% Cu
1	20'	100'	80'	1.12	19	364'	579'	215'	1.68
4	150'	300'	150'	1.20	21	325'	539'	214'	1.16
11	302'	430'	128'	1.02	22	410'	440'	30'	1.07
12	500'	544'	44'	0.21	24	520'	740'	220'	1.76
14	240'	441'	201'	1.50	25	601'	771'	170'	1.72
15	464'	521'	57'	1.11	26	868'	918'	50'	1.03
16	262'	411'	149'	1.19	27	924'	1,008'	84'	1.48
17	384'	526'	142'	1.36	29	677'	843'	166'	1.34
18	295'	530'	235'	1.56	36	967'	1,083'	116'	1.66

These intersections are indicated on the longitudinal section.

It is evident that the orebody has not been delimited to the south and to depth. In addition, insufficient drilling has been done to the north to define the northern limit. Estimates of eventual tonnage, mining rate and cutoff grade would be premature at this stage, but it is evident that Wexford will develop into a substantial mine.

Drilling is continuing throughout the winter despite severe weather conditions, and will be accelerated as soon as possible. Engineering studies are in progress on underground exploration and development, and an adit has been recommended as the fastest and least costly means of delineating the orebody for detailed mine planning, as well as providing a more efficient base for deep drilling to explore the depth extensions of the orebody.

OTHER EXPLORATION

Area and Frobex also jointly hold 41 claims adjoining Wexford to the northwest. A zinc showing and copper

AREA MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Companies Act)

BALANCE SHEET AS AT DECEMBER 31, 1966

(with comparative figures as at December 31, 1965)

ASSETS

	1966	1965*
CURRENT ASSETS:		
Cash in bank	\$ 15,112	\$ 23,710
Trust and deposit accounts	544	1,120
Accounts receivable	3,566	791
Short term notes including accrued interest		124,440
Quoted shares in other mining companies at market value 1965, less sales	830,788	887,733
(Quoted market value 1966 — \$670,232; 1965 — \$887,733)		
	<u>\$ 850,010</u>	<u>\$1,037,794</u>
OTHER INVESTMENTS:		
Unquoted and escrowed shares in other mining companies — nominal value 1965 with additions at cost	\$ 184,298	\$ 7
FIXED ASSETS — at cost		
Equipment	\$	\$ 10,951
Accumulated depreciation		4,607
	<u>\$</u>	<u>\$ 6,344</u>
Deferred exploration expenses	\$ 99,863	\$ 77,832
	<u>\$1,134,171</u>	<u>\$1,121,977</u>

LIABILITIES

CURRENT LIABILITIES:		
Bank loan — secured	\$ 35,000	\$
Accounts payable and accrued liabilities	5,671	1,444
Provision for provincial taxes	25	25
	<u>\$ 40,696</u>	<u>\$ 1,469</u>
SHAREHOLDERS' EQUITY:		
Capital stock		
Authorized —		
10,593,750 non-voting, non-cumulative 6% redeemable preferred shares with a par value of 25 cents each		
3,000,000 common shares with a par value of 25 cents each		
Issued and fully paid —		
2,000,000 common shares	\$ 500,000	\$ 500,000
Capital surplus	1,681,604	1,681,604
	<u>\$2,181,604</u>	<u>\$2,181,604</u>
Deficit	1,088,129	1,061,096
	<u>\$1,093,475</u>	<u>\$1,120,508</u>
	<u>\$1,134,171</u>	<u>\$1,121,977</u>

Signed on behalf of the Board:

N. B. KEEVIL, Director.

JAMES H. WESTELL, Director.

NOTE TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1966

- There are 50,000 shares of the company stock which have been donated for the company's benefit and are held in trust in the names of N. B. Keevil and Sir Michael Butler, Bt.

* Reclassified for comparative purposes

float are known to occur on this property and it merits work. However, because of the priority of development of Wexford, little more than preliminary mapping was accomplished in 1966.

Area holds interests in claims in the southeast of the Gaspé Park near Mt. Brown on which only limited assessment work was done in the past year. The company holds another group near Isabelle Brook to the west, close to nickel mineralization reported by another company. Nickel anomalies in the soil were located by geochemical prospecting.

The company holds claims straddling the Quebec-New Brunswick border near Patapédia. Magnetometer, spontaneous polarization and geochemical surveys were carried out during 1966 and have defined a broad anomalous zone which warrants further exploration.

Elsewhere in New Brunswick, short surveys were run over the Second Lake group, Village group, and others. Most of these claims were abandoned when results obtained proved negative.

In Ontario, the Warden Twp. asbestos prospect was drilled by Asbestos Corporation, with no significant values being intersected. No further work is planned.

Because of the Wexford discovery and the necessity to employ all available cash in maintaining Area's strong position in it, the company has not taken on any new exploratory ventures during the year, and has made arrangements for two of its current properties, Isabelle and Patapédia, to be explored further by partners.

During 1967, exploration will be concentrated at Wexford, with the goal of increasing substantially the tonnage of proven ore.

PLAN OF DRILL HOLES

Scale:
200 ft.

LONGITUDINAL SECTION

in plane of orebody

Scale:
200 ft.

LEGEND

- M.H. — Mauvish Hornfels
- Q. — Quartzite
- SpS — Spotted Schist
- CBH — Cherty Banded Hornfels

AREA MINES LIMITED

WEXFORD DEPOSIT

SECTION 4+00 S.W.

Scale:
100 ft.

AREA MINES LIMITED

(No Personal Liability)

CAPITAL SURPLUS

For the Year Ended December 31, 1966
(with comparative figures for the year 1965)

	1966	1965
Balance, beginning of year	\$1,681,604	\$ 416,299
Add:		
Revaluation of investment in Mattagami Lake Mines Limited shares as at April 27		\$5,662,325
Deduct:		
Distribution to shareholders — 243,750 shares of Mattagami Lake Mines Limited for the redemption of 13,406,250 preferred shares		\$4,814,063
Less — reduction in par value of 2,000,000 common shares from \$1 to 25 cents per share		1,500,000
		\$3,314,063
Revaluation of investments to market value as at December 31		1,082,957
		\$4,397,020
Net increase		\$1,265,305
Balance, end of year	\$1,681,604	\$1,681,604

DEFICIT ACCOUNT

For the Year Ended December 31, 1966
(with comparative figures for the year 1965)

	1966	1965
Balance, beginning of year	\$1,061,096	\$ 896,161
Add — exploration and administrative expenditures written off	34,841	164,935
	\$1,095,937	\$1,061,096
Deduct — profit on sale of investments	7,808	
Balance, end of year	\$1,088,129	\$1,061,096

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Area Mines Limited (No Personal Liability) as at December 31, 1966 and the statements of exploration and administrative expenditures deferred, deficit and capital surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of exploration and administrative expenditures deferred, deficit and capital surplus when read in conjunction with the note appended thereto present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the revaluation of investments in 1965.

We also examined the accompanying statement of source and application of funds for the year ended December 31, 1966 which is presented as supplementary financial information and in our opinion the statement presents fairly the information shown therein.

Toronto, January 19, 1967.

J. CLARE WILCOX & CO.,
Chartered Accountants.

AREA MINES LIMITED

(No Personal Liability)

STATEMENT OF EXPLORATION AND ADMINISTRATIVE EXPENDITURES DEFERRED

For the Year Ended December 31, 1966

(with comparative figures for the year 1965)

	1966	1965
Balance, beginning of year	\$ 77,832	\$ 78,042
Exploration expenditures for the year	<u>\$ 55,621</u>	<u>\$ 108,268</u>
Administrative expenditures for the year:		
Administration fee	\$ 5,000	\$ 6,929
Transfer and registrar agents' fees and disbursements	2,938	17,873
Legal fees	3,461	2,200
Directors' fees	2,300	2,000
Audit fees	1,400	428
Travelling expenses	309	5,038
Rent and light	1,932	374
Municipal business tax		4,247
Miscellaneous expenses	2,539	327
Capital and place of business taxes	406	19,667
Executive salary		8,373
Office salaries		51
Depreciation — office equipment	51	85
	<u>\$ 20,336</u>	<u>\$ 67,541</u>
Deduct — investment income	9,109	11,109
	<u>\$ 11,227</u>	<u>\$ 56,432</u>
Provincial income tax	25	25
	<u>\$ 11,252</u>	<u>\$ 56,457</u>
Total exploration and administrative expenditures for the year	<u>\$ 66,873</u>	<u>\$ 164,725</u>
Deduct — expenditures written off to deficit	\$ 34,841	\$ 164,935
— expenditures transferred to investments	10,001	
	<u>\$ 44,842</u>	<u>\$ 164,935</u>
	<u>\$ 22,031</u>	<u>\$ 210</u>
Balance, end of year	<u><u>\$ 99,863</u></u>	<u><u>\$ 77,832</u></u>

AREA MINES LIMITED

(No Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1966

(with comparative figures for the year 1965)

(Reclassified by the inclusion of investments in quoted shares in other mining companies as current assets)

	1966	1965
Working capital, beginning of year	<u>\$1,036,325</u>	<u>\$1,341,683</u>
SOURCE OF FUNDS:		
Revaluation of quoted investments to market value		\$4,674,709
Depreciation charges	2,528	2,269
Profit on sale of investments	7,808	
Fixed asset sales	3,816	
	<u>\$ 14,152</u>	<u>\$4,676,978</u>
APPLICATION OF FUNDS:		
Distribution of Mattagami Lake Mines Limited shares	\$	\$4,814,063
Fixed asset expenditures		3,548
Purchase of investments other mining companies	174,290	
Exploration and administrative expenditures for the year	66,873	164,725
	<u>\$ 241,163</u>	<u>\$4,982,336</u>
Net Decrease	<u>\$ 227,011</u>	<u>\$ 305,358</u>
Working capital, end of year	<u><u>\$ 809,314</u></u>	<u><u>\$1,036,325</u></u>



